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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Melissa Newman
Executive Director - Federal Regulatory

August 2, 1999

Written Ex Parte

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, D.C. 20554

RE: CC Docket 96-98

Dear Ms. Salas:

The attached responds to the Common Carrier Bureau's request for some additional information from U S WEST with respect to particular issues arising in the UNE Remand proceedings.

In accordance with Section 1.1206(a)(1) of the Commission's rules, an original and one copy of this letter and the attachment are being filed with your office for inclusion in the record of this proceeding.

Acknowledgment and date of receipt of this submission are requested. A duplicate letter is attached for this purpose.

Please call if you have any questions.

Sincerely,

Melissa Newman

Attachments

Cc: Carol Mattey, Division Chief
Michelle Carey, Deputy Division Chief
Claudia Fox
Jake Jennings

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This memorandum responds to the Commission's requests for some additional information from U S WEST with respect to particular issues arising in the unbundling remand proceeding.

UNE PLATFORM

- How does the price a CLEC would pay to U S WEST for resale compare to the price for UNE-P, particularly in residential markets?

In U S WEST's region, U S WEST's charges to a CLEC providing service to a residential customer generally would be lower if the CLEC entered the market using resale than if it used the UNE-P. Attached are three charts containing cost data for residential and business services in Colorado, Iowa, and Minnesota. In each chart, the first column represents the average price U S WEST charges its customers in the state, the second column represents the amount a CLEC would pay to U S WEST if the CLEC resold the service, and the third column represents the amount a CLEC would pay to U S WEST if the CLEC provided the same service using the UNE-P. For example, as the attached chart for Colorado shows, a CLEC would have to pay U S WEST $32.25 for reselling residential service, while its costs in connection with the UNE-P would be $33.34. Similarly, in Iowa the resale cost is $25.99, while the UNE-P cost is $26.58. These figures show that the UNE-P is not needed for residential, or "mass market," entry: a carrier wishing to provide residential service without its own facilities would choose resale rather than the UNE-P.

By contrast, for *business* services, the UNE-P price is substantially *lower* than the resale price. In Colorado, the resale price for business service is $57.95, while the UNE-P cost is $37.65. In Iowa, the figures are $41.73 for resale and $27.37 for the UNE-P. This difference is almost entirely attributable to universal service subsidies, which are embedded in the resale price. Thus, providing the UNE-P to CLECs for business customers would do no more than provide them a regulatory arbitrage opportunity.

U S WEST has not performed similar studies for all states in its region because it did not want to delay responding to the Commission's requests, but U S WEST believes that the relationship between the resale and UNE-P costs for residential and business service is similar throughout its region. The one exception known to U S WEST is Minnesota, where the cost for a CLEC utilizing resale for residential service is substantially higher than the UNE-P cost.[1/] This difference is almost entirely attributable to the low loop UNE price in Minnesota. The Minnesota state commission is currently reconsidering the loop price, and the new price is expected to reduce substantially the cost difference between resale and the UNE-P.[2/]

1/ For business service in Minnesota, as in other U S WEST states, the UNE-P price is substantially lower than the resale price ($18.05 v. $46.34).

2/ U S WEST has proposed that the loop price be raised from $12.03 to $18.37. Even AT&T has proposed that the price be raised to $17.57.

In arriving at the cost figures set forth in the preceding paragraphs, U S WEST determined the usage-based costs for the UNE-P (i.e., shared transport and switching) on the basis of the ARMIS study in each state breaking down the total number of minutes of use into each category (e.g., local exchange, intraLATA toll etc.) and then dividing those totals by the number of lines in a state to arrive at a minutes of use per line for each category of traffic. Because the ARMIS study does not differentiate between residential and business services, the charts assume that the usage levels for business and residential are the same.

The cost allocated to the "Features" line on each chart differs from state to state. Some states, such as Minnesota, provide no separate recovery for features and instead include those costs in the switching rates (thus, the line for "Features" in the Minnesota chart is 0). Other states, such as Iowa, determine an average cost per feature. Still other states, such as Colorado, have developed two feature groups, one for residential and one for business, containing the most common features and allocated feature costs on that basis.

PRESUMPTIONS

- Could U S WEST's presumptions include performance criteria for hot cuts and collocation?

To the extent that problems with hot cuts or collocation are viewed as impairing a CLEC's ability to provide service, a presumption-based system could include average performance metrics as conditions for determining whether switching or another element need not be unbundled. Such metrics might, for example, set an average time within which a hot cut should be performed.

However, any such metric would not be workable unless it met at least three criteria. First, the standards would have to be realistic. Second, if a metric requires performance within a certain average time, the time taken should not include any delay caused by the CLEC. Third, the Commission should not impose unbundling obligations now on the ground that it has to wait for the development of agreed-upon performance metrics and then for data concerning whether an ILEC meets those metrics. The current absence of performance criteria and/or data concerning whether ILECs have met those criteria should not be used as an excuse to impose blanket unbundling obligations with a promise to re-visit the issue once criteria are developed and data available.

Coordinated ("Hot") Cuts. The relevant metrics for hot cuts should be (1) how long it takes U S WEST to complete the U S WEST connection and transfer the facility to the CLEC; and (2) after the CLEC has provided dialtone and notifies U S WEST that they are ready, how long it takes U S WEST to complete the test-through in coordination with the CLEC. U S WEST is currently developing ways to measure this time for the four general types of installation options a CLEC has: (1) basic installation, in which U S WEST disconnects the loop from its

current termination and delivers it via the ITP to the point of demarcation; (2) basic installation with performance testing, under which U S WEST completes the circuit wiring and then performs tests to ensure that the new circuit meets the required parameters; (3) coordinated installation without cooperative testing, which is the same as the basic installation except that it is done at a designated time so the CLEC can convert the loop with minimal service disruption; and (4) coordinated installation with cooperative testing, under which U S WEST does the installation and testing at a designated time.

Therefore, a hot cut involves various steps, *only some of which are performed by the ILEC*. In particular, the ILEC's basic task is to "lift and lay"; that is, to disconnect the loop from its current termination point and to deliver the cable to the point of demarcation. The CLEC then has the responsibility to find the dialtone and, where appropriate, initiate the number portability transition. U S WEST then can activate the numbers. The CLEC therefore controls how long parts of the hot cut will take. If, for example, the CLEC is not ready to receive and then connect the loop or if the CLEC waits to initiate a message to the number portability administrator, the time a customer is without dialtone will increase through no fault of U S WEST. Any performance metric applied to U S WEST should not measure outages resulting from a CLEC's delay.

U S WEST has only begun measuring the time needed for the hot cut process and hopes to automate this data collection by sometime this fall. U S WEST would be pleased to work with the Commission and other ILECs to determine an appropriate standard for how long this process should take.

Collocation. The Commission could create a similar performance measure for average collocation intervals. Again, this would be quite different from a rule requiring collocation within a prescribed interval in every case. The Commission's recent collocation decision, which imposed detailed requirements that an ILEC must meet and that were designed to minimize delays, found that it would be premature to impose absolute performance criteria. Moreover, as discussed below, the time needed for collocation differs significantly depending on the particular conditions in a central office. Any performance metric would have to take such variation into account.

- How did U S WEST choose 50 miles for use in its proposed presumption concerning switching?

U S WEST proposed that an ILEC's switch should not be required to be unbundled if it is within 50 miles of one or more CLEC switches. The 50-mile figure represents an extremely conservative measure of the distance from which a CLEC switch can serve all the customers served by the ILEC switch by, for example, collocating a digital loop carrier (DLC) at the ILEC switch. Remote switching modules and other technologies extend the reach of modern switches to 600 miles or more.[3/] AT&T itself has conceded that CLEC switches using DLCs can reach customers up to 125 miles away.[4/] U S WEST's own studies suggest that, by using high-powered lasers, the range of a CLEC switch using a DLC is up to 160 miles. Notwithstanding these long ranges — which will only increase as technology improves — U S WEST chose the far more conservative figure of 50 miles. A CLEC switch using a DLC with even low power lasers has a range of 50 miles. Thus, such a switch unquestionably can serve all the customers served by the ILEC switch.

COLLOCATION

- How is collocation implemented and how long does the process take? How long would it take a CLEC to enter a market such as Phoenix using collocation and unbundled loops?

U S WEST has successfully installed 887 collocations and expects to complete another 256 in the next 90 days. In its experience, collocation is not in any way a bottleneck to CLEC market entry. Indeed, if anything, CLECs have not provided service to numerous customers they could reach through their collocated equipment.

U S WEST's implementation of collocation generally proceeds as follows. Once a CLEC tells U S WEST's Wholesale Market division that the CLEC intends to do business in a particular market, the CLEC is assigned an Account Manager and a contact person for the purpose of

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3/ *See UNE Fact Report* at I-23 to I-24.

4/ *See* Petition of AT&T Corp. to Deny Application at 24, GTE Corp. Transferor, and Bell Atlantic Corp. Transferee, For Consent to Transfer of Control, CC Docket No. 98-184 (filed Nov. 23, 1998) ("Such technology has a range of about 125 miles, which would permit it to be used in conjunction with the contiguous provider's switch in its nearby home territory.").

negotiating an interconnection contract. While those negotiations are progressing, the CLEC can order collocation from U S WEST. The negotiations phase may take from one to three weeks, depending on how much assistance the CLEC needs in setting up its interconnection business plan. At the time of ordering, U S WEST permits the CLEC to select both its desired form of collocation and at least one alternative to be used if the CLEC's first choice is infeasible; this process ensures that collocation is not unnecessarily delayed by the need to re-start the ordering process.

Once the CLEC orders interconnection, U S WEST's engineering team engages in a feasibility study to determine whether the request is feasible. It usually takes approximately 10 days to conduct that study and inform the CLEC whether its request has been accepted. Assuming the request is accepted, the engineering team will provide the CLEC with a price quote by day 35. The CLEC then has up to 30 days to consider the quote and respond with a 50% down payment.

Once the down payment is received, U S WEST begins the engineering and installation work. This work typically takes about 90 days. Thus, if everything proceeds smoothly, collocation can be implemented in 115 to 145 days from the time of the collocation order. Because this process occurs in parallel with the interconnection negotiations, collocation causes little or no delay to the time of entry for a CLEC.

At the same time, the Commission should be aware that certain facts can increase the time necessary for collocation. ILECs are, of course, dependent on equipment availability, manufacturer stocks, timely delivery, and availability of personnel. Moreover, if the central office in question does not have sufficient power available, the installation can take up to 180 days, rather than 90 days (U S WEST also tries to find alternative power sources before the 90 days have passed). And if the building lacks sufficient space, the building may have to be enlarged, in which case the engineering and collocation work will take significantly longer, depending on the type of buildout that is needed.

Based on this data, if a CLEC were to enter the entire Phoenix market at once via collocation and unbundled loops, U S WEST estimates it would take approximately 6 months to implement collocation in all 18 metropolitan central offices and the 30 outlying offices. This time period assumes that some offices will lack sufficient power and space, as well as that performing such an extensive number of collocations at about the same time would stretch the capacity of both U S WEST's and the CLEC's personnel; it would not make business sense for either U S WEST or a CLEC to hire, train, and retain enough personnel to be able to handle an extraordinary number of simultaneous requests when such a peak request will occur rarely, if at all.

OS/DA

U S WEST's current market price for a directory listing provided pursuant to section 251(b)(3) is $0.025 for the initial load and either $0.025 or $0.050 for an update (the lower price is for a buyer that uses the listing only for its own services, while the higher price is for a DA provider that serves as an agent for multiple carriers). As far as U S WEST is aware, these prices are less than or equal to those of all other listing providers.

U S WEST has completed TELRIC studies for DA listings in nine states (Arizona, Colorado, Iowa, Minnesota, Nebraska, North Dakota, Oregon, South Dakota, and Washington). The average TELRIC price in those states is $0.0073 for the initial load and $0.0172 for an update.[5/]

In conjunction with its future section 271 applications, U S WEST will tariff the TELRIC prices for directory listings so that those prices are available to any CLEC intending to use directory listings solely to serve its own local exchange users. If, on the other hand, the buyer intends to use the listings for multiple purposes (e.g., its own local exchange users, a national directory product, and other services), then it will be charged U S WEST's market prices listed above. In view of the fact that, in making its directory listings available under section 251(b)(3), U S WEST will permit CLECs to purchase those listings at TELRIC for use in serving their local exchange customers, the absence of an unbundling requirement for such listings clearly would not impair the ability of CLECs to provide service.

SIGNALING

- Does a CLEC need its own STPs to obtain signaling through non-ILEC sources? If a CLEC does decide to self-provision its own signaling, what would be the cost and time involved?

A CLEC does not need its own STPs to obtain signaling from non-ILEC sources. A number of providers, such as Illuminet and GTE, provide signaling on a wholesale basis, and many CLECs have obtained signaling from such vendors. If a CLEC takes this route, it needs only the trunk or link connecting its switch to the vendor's signaling network. That link is available from U S WEST at the DS-0 tariffed rate, with a standard ordering interval of 30 days. Of course, the CLEC can also obtain the link through self-provisioning or other non-ILEC sources.

5/ Although this is an average price among the nine states, the prices are all within a narrow range; the initial load price, for example, varies from $0.0068 to $0.0076.

A CLEC also has the option of installing its own SS7 signaling network. To do so, the CLEC would need to obtain a minimum of two STP pairs. One pair would provide local signaling and require a minimum of 4 links (56kbs data circuits), and the second would provide access to other signaling networks and/or databases, such as LIDB and the 800 number database and require 10 links. STPs can be obtained from a number of vendors, including Alcatel, Tekelec, and Ericsson. They entail engineering, hardware/software, and installation costs. The total cost for the minimum STP configuration would be approximately $1 million (not including the costs for the external links), although the total will differ from case to case since STPs are provided under individually negotiated contracts. Although U S WEST is not an STP vendor, it understands that the time for installing an STP pair ranges from 10 to 20 weeks from the time the contract is signed.

- How would a CLEC obtain AIN features? Would they have access to the same proprietary features as U S WEST or another ILEC?

AIN features are proprietary software packages offered by Service Control Point (SCP) software providers on a right to use fee basis. These features are developed by SCP software providers at the request of AIN platform owners and are delivered as part of the SCP operating system software. The AIN platform owners can then develop proprietary service logic and algorithms on top of the feature to create a product. The SCP itself consists of the vendor features (or "application software"), carrier service logic, and customer-related databases required to provide transaction-based products.

Where U S WEST owns the AIN platform, the CLEC is given access to the service creation environment in which a CLEC can submit a request for the development of a new product to the U S WEST AIN development team. That team will determine if the product is feasible and, if so, the CLEC can decide whether to order the development and implementation of the product. The CLEC is charged for that development and implementation on a time and materials basis. This environment is the same as that used by U S WEST personnel to develop new AIN services. U S WEST's own AIN-based products are proprietary and not available as UNEs (although they are available for resale); however, U S WEST will develop a product with equivalent functionality at the request of the CLEC. The development of independent CLEC products is necessary — even if the products are functionally equivalent to those of U S WEST — so that the CLEC can have the flexibility to determine how it wants its AIN services to interact with one another (e.g., in what order AIN functions should be performed).

	Colorado		
Customer Revenues Per Line			
	Residence		
	Price for USW Customer	**Resale Price for CLEC**	**UNE-P Price for CLEC**
Local	$ 15.59	$ 14.19	
Unbundled Loop			$ 19.65
EUCL/PLC	$ 3.64	$ 3.64	
Shared Transport			$ 1.40
Features	$ 5.11	$ 2.56	$ 1.03
Port			$ 1.15
Switch MOU			$ 3.14
IntraLATA Toll	$ 3.12	$ 2.84	
EICT Charge			$ 0.84
Flat Rated Interstate Access	$ 6.07	$ 6.07	$ 0.50
Total Customer Recurring Revenue	**$ 36.49**	**$ 32.25**	**$ 33.34**
	Business		
	Price for USW Customer	**Resale Price for CLEC**	**UNE-P Price for CLEC**
Local	$ 37.80	$ 31.75	
Unbundled Loop			$ 19.65
EUCL/PLC	$ 8.62	$ 8.62	
Shared Transport			$ 1.40
Features	$ 9.37	$ 4.69	$ 5.31
Port			$ 1.15
Switch MOU			$ 3.14
IntraLATA Toll	$ 4.17	$ 3.50	
EICT Charge			$ 0.84
Flat Rated Interstate Access	$ 6.40	$ 6.40	$ 0.50
Total Customer Recurring Revenue	**$ 69.35**	**$ 57.95**	**$ 37.65**
Difference Between Resale and Unbundled Revenue:			
- Residence			**$ (1.09)**
- Business			**$ 20.30**

	IOWA		
Customer Revenues Per Line			
	Residence		
	Price for USW Customer	**Resale Price for CLEC**	**UNE-P Price for CLEC**
Local	$ 12.50	$ 9.79	
Unbundled Loop			$ 20.15
EUCL/PLC	$ 3.66	$ 3.66	
Shared Transport			$ 0.51
Features	$ 4.89	$ 3.83	$ 0.21
Port			$ 1.15
Switch MOU			$ 3.30
IntraLATA Toll	$ 4.80	$ 3.76	
EICT Charge			$ 0.75
Flat Rated Interstate Access	$ 4.95	$ 4.95	$ 0.51
Total Customer Recurring Revenue	**$ 30.80**	**$ 25.99**	**$ 26.58**
	Business		
	Price for USW Customer	**Resale Price for CLEC**	**UNE-P Price for CLEC**
Local	$ 26.77	$ 20.97	
Unbundled Loop			$ 20.15
EUCL/PLC	$ 7.03	$ 7.03	
Shared Transport			$ 0.51
Features	$ 5.94	$ 4.65	$ 1.00
Port			$ 1.15
Switch MOU			$ 3.30
IntraLATA Toll	$ 4.97	$ 3.89	
EICT Charge			$ 0.75
Flat Rated Interstate Access	$ 5.19	$ 5.19	$ 0.51
Total Customer Recurring Revenue	**$ 49.90**	**$ 41.73**	**$ 27.37**
Difference Between Resale and Unbundled Revenue:			
- Residence			**$ (0.59)**
- Business			**$ 14.36**

Minnesota

Customer Revenues Per Line

	Residence		
	Price for USW Customer	**Resale Price for CLEC**	**UNE-P Price for CLEC**
Local	$ 15.60	$ 12.25	
Unbundled Loop			$ 12.03
EUCL/PLC	$ 3.93	$ 3.93	
Shared Transport			$ 0.99
Features	$ 5.08	$ 3.99	$ -
Port			$ 1.49
Switch MOU			$ 2.63
IntraLATA Toll	$ 1.84	$ 1.44	
EICT Charge			$ 0.51
Flat Rated Interstate Access	$ 4.90	$ 4.90	$ 0.40
Total Customer Recurring Revenue	$ 31.35	$ 26.51	$ 18.05

	Business		
	Price for USW Customer	**Resale Price for CLEC**	**UNE-P Price for CLEC**
Local	$ 35.19	$ 27.62	
Unbundled Loop			$ 12.03
EUCL/PLC	$ 7.10	$ 7.10	
Shared Transport			$ 0.99
Features	$ 7.30	$ 5.73	$ -
Port			$ 1.49
Switch MOU			$ 2.63
IntraLATA Toll	$ 1.16	$ 0.91	
EICT Charge			$ 0.51
Flat Rated Interstate Access	$ 4.97	$ 4.97	$ 0.40
Total Customer Recurring Revenue	$ 55.72	$ 46.34	$ 18.05

Difference Between Resale and Unbundled Revenue:	
- Residence	$ 8.46
- Business	$ 28.29